

ROCK VALLEY
COMMUNITY SCHOOL DISTRICT

Rock Valley, Iowa

Independent Auditor's Reports
Basic Financial Statements and Supplemental Information
Schedule of Findings

June 30, 2004

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

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ROCK VALLEY COMMUNITY SCHOOL DISTRICT

OFFICIALS

JUNE 30, 2004

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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BOARD OF EDUCATION
(Before September 2003 Election)

Stanley Negaard	President	September 2003
Kevin Boeve	Vice President	September 2004
Mary Pat Miller	Board Member	September 2005
Brian Nelson	Board Member	September 2005
Steven Van Den Top	Board Member	September 2003

BOARD OF EDUCATION
(After September 2003 Election)

Kevin Boeve	President	September 2004
Brian Nelson	Vice President	September 2005
Mary Pat Miller	Board Member	September 2005
Steven Van Den Top	Board Member	September 2006
Al Vermeer	Board Member	September 2006

SCHOOL OFFICIALS

Dennis Mozer	Superintendent	June 30, 2004
Randy Taylor	Board Secretary	June 30, 2004
Maureen McGill Hoogeveen	Attorney	Indefinite



KING, REINSCH, PROSSER & CO., L.L.P.
Certified Public Accountants
Member Private Companies Practice Section of AICPA

522 4TH STREET, SUITE 200
SIOUX CITY, IA 51101-1620
(712) 258-5550
FAX (712) 277-6705

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
Rock Valley Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Rock Valley Community School District (the District), Rock Valley, Iowa, as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with accounting standards generally accepted in the United States of America, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the District at June 30, 2004 and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 10 to the financial statements, during the year ended June 30, 2004, the District adopted Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*; Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*; Statement No. 38, *Certain Financial Statement Note Disclosures*; Statement No. 41, *Budgetary Comparison Schedule - Perspective Differences*; and Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*.



To the Board of Education of
Rock Valley Community School District

In accordance with *Government Auditing Standards*, we have also issued our report dated September 15, 2004, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 10 and 34 through 36 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. Other supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

September 15, 2004
Sioux City, Iowa

King, Reinsch, Prosser & Co., L.L.P.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Rock Valley Community School District (the District) provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2004. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

Because the District is implementing new reporting standards for this fiscal year with significant changes in content and structure, much of the information is not easily comparable to prior years. However, in future years, comparisons will be more meaningful and will go further in explaining the District's financial position and results of operations.

2004 Financial Highlights

- General Fund revenues decreased from \$4,151,694 in fiscal 2003 to \$4,117,078 in fiscal 2004, while General Fund expenditures increased from \$4,232,824 in fiscal 2003 to \$4,371,370 in fiscal 2004. The District's General Fund balance decreased from \$1,272,255 in fiscal 2003 to \$1,017,963 in fiscal 2004, a 20% decrease.
- The decrease in General Fund revenues was primarily attributable to lower state grant money during the current year. The increase in expenditures was due primarily to increased negotiated salaries and benefits and capital purchases. These factors combined to lower the General Fund balance.

Using This Annual Report

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-Wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of the District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the District's operations in more detail than the government-wide statements by providing information about the most significant funds.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor Special Revenue Funds.

Reporting the District's Financial Activities

Government-Wide Financial Statements - The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets - the difference between the District's assets and liabilities - are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- Governmental Activities: Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- Business Type Activities: The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements - The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has two kinds of funds.

1. Governmental Funds - Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Management Levy, and Physical Plant and Equipment Levy (PPEL) Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

2. Proprietary Funds - Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Fund, one type of proprietary fund, are the same as its business type activities, but provides more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

The required financial statements for proprietary funds include a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

Government-Wide Financial Analysis

Figure A-1 below provides a summary of the District's net assets at June 30, 2004.

Figure A-1 Condensed Statement of Net Assets (In Thousands)				
	Governmental Activities	Business Type Activities	Fiduciary Type Activities	Total District
Current and other assets	\$ 4,181	\$ 145	\$ 6	\$ 4,332
Capital assets, net	2,035	26	-	2,061
Total assets	<u>\$ 6,216</u>	<u>\$ 171</u>	<u>\$ 6</u>	<u>\$ 6,393</u>
Long-term liabilities	\$ 65	\$ -	\$ -	\$ 65
Other liabilities	1,768	4	-	1,772
Total liabilities	<u>\$ 1,833</u>	<u>\$ 4</u>	<u>\$ -</u>	<u>\$ 1,837</u>
Net assets:				
Invested in capital assets, net of related debt	\$ 2,035	\$ 26	\$ -	\$ 2,061
Restricted	1,330	-	6	1,336
Unrestricted	<u>1,018</u>	<u>141</u>	<u>-</u>	<u>1,159</u>
Total net assets	<u>\$ 4,383</u>	<u>\$ 167</u>	<u>\$ 6</u>	<u>\$ 4,556</u>

The largest portion of the District's net assets is the invested in capital assets (e.g., land, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets. Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements.

Figure A-2 shows the change in net assets for the year ended June 30, 2004.

Figure A-2 Changes in Net Assets (In Thousands)				
	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Fiduciary Type Activities</u>	<u>Total District</u>
Revenues:				
Program revenues:				
Charges for services	\$ 706	\$ 132	\$ -	\$ 838
Operating grants, contributions and restricted interest	595	113	-	708
General revenues:				
Property tax	1,907	-	-	1,907
Unrestricted state grants	1,486	-	-	1,486
Unrestricted investment earnings	54	3	-	57
Other	<u>1</u>	<u>-</u>	<u>-</u>	<u>1</u>
Total revenues	<u>\$ 4,749</u>	<u>\$ 248</u>	<u>\$ -</u>	<u>\$ 4,997</u>
Program expenses:				
Instruction	\$ 3,214	\$ -	\$ -	\$ 3,214
Support services	1,209	-	-	1,209
Non-instructional programs	-	245	-	245
Other expenses	<u>179</u>	<u>-</u>	<u>-</u>	<u>179</u>
Total expenses	<u>\$ 4,602</u>	<u>\$ 245</u>	<u>\$ -</u>	<u>\$ 4,847</u>
Change in net assets	<u>\$ 147</u>	<u>\$ 3</u>	<u>\$ -</u>	<u>\$ 150</u>

Property tax and unrestricted state grants account for 67.9% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 91.3% of the total expenses.

Governmental Activities - Revenues for governmental activities were \$4,749,355 and expenses were \$4,602,469. In a year in which state grant dollars decreased, the District was able to keep expenses low enough to match revenues.

The following table presents the total and net cost of the District's major governmental activities: Instruction, support services, and other expenses.

Figure A-3
Total and Net Cost of
Governmental Activities
(In Thousands)

	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
Instruction	\$ 3,214	\$ 2,159
Support services	1,209	1,139
Other expenses	<u>179</u>	<u>2</u>
Totals	<u>\$ 4,602</u>	<u>\$ 3,300</u>

- The cost financed by users of the District's programs was \$706,433.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$595,366.
- The net cost of governmental activities was financed with \$1,906,606 in property and other taxes and \$1,485,975 in unrestricted state grants.

Business Type Activities - Revenues for business type activities were \$248,894 and expenses were \$245,406. The District's business type activities consist of the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

Governmental Fund Analysis

As previously noted, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$2,412,589, above last year's ending fund balances of \$2,296,482, as restated. The District's proprietary fund reported end of year net assets of \$166,651, above last year's ending net assets of \$163,163.

Governmental Fund Highlights

The District's General Fund maintains a strong financial position with \$1,017,963 in its fund balance. Recent growth in the District's enrollment has been a factor achieving this position. However, the General Fund balance decreased \$254,292 from last year due primarily to lower state revenues and increased salaries and benefits and some capital purchases.

The PPEL Fund balance increased \$155,750 during the year. While revenues remained approximately the same, the District reduced spending from the PPEL Fund to improve its financial position.

The Capital Projects Fund was created in 2004 as the result of a Sioux County voter-approved one percent local sales and services tax for the period January 1, 2004 through December 31, 2013. Revenue has been recognized in this Fund, but there are no expenditures through June 30, 2004. The funds generated will be used for construction, repairs and/or remodeling of school property.

Proprietary Fund Highlights

Revenues for business type activities were \$248,894 and expenses were \$245,406. The District's business type activities included the School Nutrition Fund. Revenues of these activities were comprised of charges for services, federal and state reimbursements and investment income.

Budgetary Highlights

The District's actual receipts were \$88,276 less than budgeted receipts due primarily to less state and federal aid than anticipated.

The District's actual disbursements were less than budget due primarily to management of General Fund spending through line-item budgeting.

Capital Assets and Debt Administration

Capital Assets - At June 30, 2004, the District had invested \$2,061,167, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-4) More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$156,193.

The original cost of the District's capital assets was \$5,381,693. Governmental funds account for \$5,338,188, with the remainder of \$43,505 accounted for in the Proprietary, School Nutrition Fund.

Figure A-4 - Capital Assets, Net of Depreciation (In Thousands)			
	Governmental Activities	Business Type Activities	Total District
Land	\$ 38	\$ -	\$ 38
Land improvements	160	-	160
Buildings and improvements	1,247	-	1,247
Vehicles	249	-	249
Machinery and equipment	341	26	367
Totals	<u>\$ 2,035</u>	<u>\$ 26</u>	<u>\$ 2,061</u>

Long-Term Debt - At June 30, 2004, the District had \$64,844 early retirement payable. Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

Economic Factors Bearing on the District's Future

At the time these financial statements were prepared and audited, the District was aware of the following circumstances that could significantly affect its financial health in the future:

Although the District has experienced an increase in enrollment the last two years, it went through three years of declining enrollment and still has fewer students than in 2000.

The District has evaluated the condition of its transportation fleet and determined that an additional Suburban and sedan should be purchased in 2005 at a cost of \$40,000. If the budget allows, a new bus will also be considered at an estimated cost of \$60,000. These purchases will use a combination of resources from the General Fund and the PPEL Fund.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Randy Taylor, Board Secretary, Rock Valley Community School District, 1712 20th Avenue, Rock Valley, Iowa 51247.

BASIC FINANCIAL STATEMENTS

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS

JUNE 30, 2004

	Governmental Activities	Business Type Activities	Total
<u>ASSETS</u>			
Cash and cash equivalents	\$ 2,334,900	\$ 133,385	\$ 2,468,285
Receivables:			
Property tax:			
Current year	11,840	-	11,840
Succeeding year	1,532,730	-	1,532,730
Accounts	4,275	-	4,275
Accrued interest	14,928	812	15,740
Due from other governments	271,820	-	271,820
Inventories	10,438	10,872	21,310
Capital assets, net of accumulated depreciation	<u>2,035,578</u>	<u>25,589</u>	<u>2,061,167</u>
Total assets	<u>\$ 6,216,509</u>	<u>\$ 170,658</u>	<u>\$ 6,387,167</u>
<u>LIABILITIES</u>			
Accounts payable	\$ 184,055	\$ 1,528	185,583
Salaries and benefits payable	51,557	-	51,557
Deferred revenue - succeeding year property tax	1,532,730	-	1,532,730
Deferred revenue - other	-	2,479	2,479
Long-term liabilities:			
Early retirement - due within one year	16,793	-	16,793
Early retirement - due after one year	<u>48,051</u>	<u>-</u>	<u>48,051</u>
Total liabilities	<u>\$ 1,833,186</u>	<u>\$ 4,007</u>	<u>\$ 1,837,193</u>
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	\$ 2,035,578	\$ 25,589	2,061,167
Restricted for:			
Management levy	421,712	-	421,712
Physical plant and equipment levy	611,237	-	611,237
Other special revenue purposes	163,356	-	163,356
Capital projects	133,477	-	133,477
Unrestricted	<u>1,017,963</u>	<u>141,062</u>	<u>1,159,025</u>
Total net assets	<u>\$ 4,383,323</u>	<u>\$ 166,651</u>	<u>\$ 4,549,974</u>
Total liabilities and net assets	<u>\$ 6,216,509</u>	<u>\$ 170,658</u>	<u>\$ 6,387,167</u>

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2004

		<u>Program Revenues</u>	
	<u>Expenses</u>	<u>Charges for Service</u>	<u>Operating Grants and Contributions</u>
FUNCTIONS/PROGRAMS:			
Governmental activities:			
Instruction:			
Regular instruction	\$ 2,250,294	\$ 471,838	\$ 229,938
Special instruction	441,188	47,940	74,560
Other instruction	<u>522,301</u>	<u>186,655</u>	<u>43,730</u>
	<u>\$ 3,213,783</u>	<u>\$ 706,433</u>	<u>\$ 348,228</u>
Support services:			
Student services	\$ 107,441	\$ -	\$ -
Instructional staff services	85,416	-	-
Administration services	452,502	-	-
Operation and maintenance of plant services	391,736	-	-
Transportation services	<u>172,239</u>	<u>-</u>	<u>70,198</u>
	<u>\$ 1,209,334</u>	<u>\$ -</u>	<u>\$ 70,198</u>
Other expenditures:			
Facilities acquisition	\$ 1,505	\$ -	\$ -
Lease obligation interest	907	-	-
AEA flow through	<u>176,940</u>	<u>-</u>	<u>176,940</u>
	<u>\$ 179,352</u>	<u>\$ -</u>	<u>\$ 176,940</u>
Total governmental activities	<u>\$ 4,602,469</u>	<u>\$ 706,433</u>	<u>\$ 595,366</u>
Business type activities:			
Non-instructional programs:			
Food service operations	<u>\$ 245,406</u>	<u>\$ 132,770</u>	<u>\$ 113,368</u>
Total business type activities	<u>\$ 245,406</u>	<u>\$ 132,770</u>	<u>\$ 113,368</u>
Total	<u><u>\$ 4,847,875</u></u>	<u><u>\$ 839,203</u></u>	<u><u>\$ 708,734</u></u>
GENERAL REVENUES:			
Property and other tax levied for:			
General purposes			
Capital projects (local option sales tax)			
Management levy			
Physical plant and equipment levy			
Unrestricted state grants			
Unrestricted investment earnings			
Other			
Total general revenues			
Change in net assets			
Net assets beginning of year, as restated			
Net assets end of year			

See notes to financial statements.

Net (Expense) Revenue and Changes in Net Assets		
<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
\$ (1,548,518)	\$ -	\$ (1,548,518)
(318,688)	-	(318,688)
<u>(291,916)</u>	<u>-</u>	<u>(291,916)</u>
\$ <u>(2,159,122)</u>	\$ <u>-</u>	\$ <u>(2,159,122)</u>
\$ (107,441)	\$ -	\$ (107,441)
(85,416)	-	(85,416)
(452,502)	-	(452,502)
(391,736)	-	(391,736)
<u>(102,041)</u>	<u>-</u>	<u>(102,041)</u>
\$ <u>(1,139,136)</u>	\$ <u>-</u>	\$ <u>(1,139,136)</u>
\$ (1,505)	\$ -	\$ (1,505)
(907)	-	(907)
<u>-</u>	<u>-</u>	<u>-</u>
\$ <u>(2,412)</u>	\$ <u>-</u>	\$ <u>(2,412)</u>
\$ <u>(3,300,670)</u>	\$ <u>-</u>	\$ <u>(3,300,670)</u>
\$ -	\$ 732	\$ 732
\$ -	\$ 732	\$ 732
\$ <u>(3,300,670)</u>	\$ <u>732</u>	\$ <u>(3,299,938)</u>
\$ 1,486,351	\$ -	\$ 1,486,351
133,477	-	133,477
125,190	-	125,190
161,588	-	161,588
1,485,975	-	1,485,975
53,612	2,756	56,368
<u>1,363</u>	<u>-</u>	<u>1,363</u>
\$ <u>3,447,556</u>	\$ <u>2,756</u>	\$ <u>3,450,312</u>
\$ 146,886	\$ 3,488	\$ 150,374
<u>4,236,437</u>	<u>163,163</u>	<u>4,399,600</u>
\$ <u>4,383,323</u>	\$ <u>166,651</u>	\$ <u>4,549,974</u>

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDSJUNE 30, 2004

	<u>General</u>	<u>Management Levy</u>	<u>Physical Plant and Equipment Levy</u>	<u>Nonmajor</u>	<u>Total</u>
<u>ASSETS</u>					
Cash and pooled investments	\$ 1,002,631	\$ 485,720	\$ 607,599	\$ 238,950	\$ 2,334,900
Receivables:					
Property tax:					
Current year	9,926	836	1,078	-	11,840
Succeeding year	1,326,134	65,787	140,809	-	1,532,730
Accounts	3,463	-	-	812	4,275
Accrued interest	11,556	-	2,560	812	14,928
Due from other governments	225,640	-	-	46,180	271,820
Inventory	-	-	-	10,438	10,438
	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,438</u>	<u>10,438</u>
Total assets	<u>\$ 2,579,350</u>	<u>\$ 552,343</u>	<u>\$ 752,046</u>	<u>\$ 297,192</u>	<u>\$ 4,180,931</u>
<u>LIABILITIES AND FUND BALANCES</u>					
Liabilities:					
Accounts payable	\$ 183,696	\$ -	\$ -	\$ 359	\$ 184,055
Salaries and benefits payable	51,557	-	-	-	51,557
Deferred revenue:					-
Succeeding year property tax	1,326,134	65,787	140,809	-	1,532,730
Total liabilities	<u>\$ 1,561,387</u>	<u>\$ 65,787</u>	<u>\$ 140,809</u>	<u>\$ 359</u>	<u>\$ 1,768,342</u>
Fund balances:					
Unreserved	<u>\$ 1,017,963</u>	<u>\$ 486,556</u>	<u>\$ 611,237</u>	<u>\$ 296,833</u>	<u>\$ 2,412,589</u>
Total fund balances	<u>\$ 1,017,963</u>	<u>\$ 486,556</u>	<u>\$ 611,237</u>	<u>\$ 296,833</u>	<u>\$ 2,412,589</u>
Total liabilities and fund balances	<u>\$ 2,579,350</u>	<u>\$ 552,343</u>	<u>\$ 752,046</u>	<u>\$ 297,192</u>	<u>\$ 4,180,931</u>

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS

TO THE STATEMENT OF NET ASSETS

JUNE 30, 2004

Total fund balances of governmental funds	\$ 2,412,589
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	2,035,578
Long-term liabilities, including early-retirement, are not due and payable in the current period and, therefore, are not reported in the governmental funds	<u>(64,844)</u>
Net assets of governmental activities	<u>\$ 4,383,323</u>

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -

GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2004

	<u>General</u>	<u>Management Levy</u>	<u>Physical Plant and Equipment Levy</u>	<u>Nonmajor Special Revenue</u>	<u>Total</u>
Revenues:					
Local sources:					
Local tax	\$ 1,486,351	\$ 125,190	\$ 161,588	\$ 133,477	\$ 1,906,606
Tuition	421,841	-	-	-	421,841
Other	126,399	12,375	9,962	189,469	338,205
State sources	1,904,262	97	119	-	1,904,478
Federal sources	178,225	-	-	-	178,225
Total revenues	<u>\$ 4,117,078</u>	<u>\$ 137,662</u>	<u>\$ 171,669</u>	<u>\$ 322,946</u>	<u>\$ 4,749,355</u>
Expenditures:					
Current:					
Instruction:					
Regular instruction	\$ 2,194,063	\$ 34,796	\$ -	\$ -	\$ 2,228,859
Special instruction	429,209	-	-	-	429,209
Other instruction	343,630	-	-	178,049	521,679
	<u>\$ 2,966,902</u>	<u>\$ 34,796</u>	<u>\$ -</u>	<u>\$ 178,049</u>	<u>\$ 3,179,747</u>
Support services:					
Student services	\$ 103,858	\$ -	\$ -	\$ -	\$ 103,858
Instructional staff services	76,629	-	-	-	76,629
Administration services	439,470	-	-	-	439,470
Operation and maintenance of plant services	396,451	25,389	-	-	421,840
Transportation services	211,120	7,725	-	-	218,845
	<u>\$ 1,227,528</u>	<u>\$ 33,114</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,260,642</u>
Other expenditures:					
Facilities acquisition	\$ -	\$ -	\$ 1,505	\$ -	\$ 1,505
Long-term debt:					
Principal	-	-	-	13,507	13,507
Interest and fiscal charges	-	-	-	907	907
AEA flow through	176,940	-	-	-	176,940
	<u>\$ 176,940</u>	<u>\$ -</u>	<u>\$ 1,505</u>	<u>\$ 14,414</u>	<u>\$ 192,859</u>
Total expenditures	<u>\$ 4,371,370</u>	<u>\$ 67,910</u>	<u>\$ 1,505</u>	<u>\$ 192,463</u>	<u>\$ 4,633,248</u>
(Deficiency) excess of revenue (under) over expenditures	\$ (254,292)	\$ 69,752	\$ 170,164	\$ 130,483	\$ 116,107
Other financing sources (uses):					
Operating transfers in	\$ -	\$ -	\$ -	\$ 14,414	\$ 14,414
Operating transfers out	-	-	(14,414)	-	(14,414)
Total other financing sources (uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (14,414)</u>	<u>\$ 14,414</u>	<u>\$ -</u>
Net change in fund balances	\$ (254,292)	\$ 69,752	\$ 155,750	\$ 144,897	\$ 116,107
Fund balances beginning of year, as restated	<u>1,272,255</u>	<u>416,804</u>	<u>455,487</u>	<u>151,936</u>	<u>2,296,482</u>
Fund balances end of year	<u>\$ 1,017,963</u>	<u>\$ 486,556</u>	<u>\$ 611,237</u>	<u>\$ 296,833</u>	<u>\$ 2,412,589</u>

ROCK VALLEY COMMUNITY SCHOOL DISTRICTRECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES ANDCHANGES IN FUND BALANCES - GOVERNMENTAL FUNDSTO THE STATEMENT OF ACTIVITIESYEAR ENDED JUNE 30, 2004

Net change in fund balances - total governmental funds	\$ 116,107
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Amounts reported for governmental activities in the Statement of Activities are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are capitalized in the Statement of Net Assets and are expensed over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:

Expenditures for capital assets	\$ 186,489	
Depreciation expense	<u>(153,167)</u>	33,322

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.

13,507

Early retirement expenses reported in the Statement of Activities are measured by the amount incurred during the year. However, in the governmental funds, early retirement expenditures are measured by the amount actually paid.

(16,050)

Change in net assets of governmental activities	<u>\$ 146,886</u>
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ROCK VALLEY COMMUNITY SCHOOL DISTRICTSTATEMENT OF NET ASSETS - PROPRIETARY FUNDJUNE 30, 2004

	<u>School Nutrition</u>
ASSETS:	
Cash and cash equivalents	\$ 133,385
Accrued interest receivable	812
Inventories	10,872
Capital assets, net of accumulated depreciation	<u>25,589</u>
Total assets	<u><u>\$ 170,658</u></u>
LIABILITIES:	
Accounts payable	\$ 1,528
Deferred revenue	<u>2,479</u>
Total liabilities	<u><u>\$ 4,007</u></u>
NET ASSETS:	
Invested in capital assets, net of related debt	\$ 25,589
Unrestricted	<u>141,062</u>
Total net assets	<u><u>\$ 166,651</u></u>
Total liabilities and net assets	<u><u>\$ 170,658</u></u>

ROCK VALLEY COMMUNITY SCHOOL DISTRICTSTATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS -PROPRIETARY FUNDYEAR ENDED JUNE 30, 2004

	<u>School Nutrition</u>
Operating revenues:	
Local sources:	
Charges for service	\$ 132,770
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	\$ 83,464
Benefits	16,097
Supplies	132,669
Other	10,150
Depreciation	<u>3,026</u>
Total operating expenses	\$ 245,406
Operating loss	\$ (112,636)
Non-operating revenues:	
Interest income	\$ 2,756
State sources	3,575
Federal sources	82,377
Food distribution	<u>27,416</u>
Total non-operating revenues	\$ 116,124
Change in net assets	\$ 3,488
Net assets beginning of year	<u>163,163</u>
Net assets end of year	<u>\$ 166,651</u>

ROCK VALLEY COMMUNITY SCHOOL DISTRICTSTATEMENT OF CASH FLOWS - PROPRIETARY FUNDYEAR ENDED JUNE 30, 2004

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 132,800
Cash paid to employees for services	(99,561)
Cash paid to suppliers for goods or services	<u>(113,890)</u>
Net cash used by operating activities	<u>\$ (80,651)</u>
Cash flows from non-capital financing activities:	
State grants received	\$ 3,575
Federal grants received	<u>82,377</u>
Net cash provided by non-capital financing activities	<u>\$ 85,952</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>\$ (15,931)</u>
Net cash used by capital and related financing activities	<u>\$ (15,931)</u>
Cash flows from investing activities:	
Interest on investments	<u>\$ 2,567</u>
Net decrease in cash and cash equivalents	\$ (8,063)
Cash and cash equivalents beginning of year	<u>141,448</u>
Cash and cash equivalents end of year	<u><u>\$ 133,385</u></u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (112,636)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	26,826
Depreciation	3,026
Decrease in inventories	575
Increase in accounts payable	1,528
Increase in deferred revenues	<u>30</u>
Net cash used by operating activities	<u><u>\$ (80,651)</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2004, the District received \$27,416 of federal commodities.

See notes to financial statements.

ROCK VALLEY COMMUNITY SCHOOL DISTRICTSTATEMENT OF FIDUCIARY NET ASSETSJUNE 30, 2004

	Expendable <u>Trust</u>
ASSETS:	
Cash and cash equivalents	\$ <u>6,329</u>
Total assets	\$ <u><u>6,329</u></u>
LIABILITIES	\$ <u>-</u>
NET ASSETS:	
Reserved for school foundation	\$ <u>6,329</u>
Total net assets	\$ <u><u>6,329</u></u>
Total liabilities and net assets	\$ <u><u>6,329</u></u>

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

YEAR ENDED JUNE 30, 2004

REVENUES	\$ _____ -
EXPENDITURES	\$ _____ -
Excess of revenues over expenditures	\$ _____ -
Net assets beginning of year	_____ 6,329
Net assets end of year	<u><u>\$ _____ 6,329</u></u>

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Rock Valley Community School District (the District) is a political subdivision of the State of Iowa and operates public schools for children in grades transitional kindergarten through twelve. In addition, the District either operates or sponsors various adult education programs. The geographic areas served includes the City of Rock Valley, Iowa, and the predominant agricultural territory in Sioux and Lyon Counties in Iowa. The District is governed by a Board of Education whose members are elected on a nonpartisan basis.

The District's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB).

- A. Reporting Entity - For financial reporting purposes, the District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The GASB has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. The District has no component units which meet the GASB criteria.
- B. Basis of Presentation

Government-Wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Invested in Capital Assets, Net of Related Debt - Consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted Net Assets - Result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Assets - Consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Management Levy Fund is used to account for certain costs, primarily insurance and early retirement benefits.

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

The Physical Plant and Equipment Levy is used to account for certain costs, primarily land and facilities, improvements and transportation equipment.

The District reports the following major proprietary fund:

The District's proprietary fund consists of the School Nutrition Fund. The School Nutrition Fund is used to account for the food service operations.

- C. Measurement Focus and Basis of Accounting - The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, and special termination benefits are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all Financial Accounting Standards Board Statements and Interpretations issued after November 30, 1989 except for those that conflict with or contradict GASB pronouncements.

Proprietary funds distinguished operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Property tax receivable is recognized in these funds on the legally enforceable claim date, which is the date that the tax asking is certified by the Board of Education. Current year delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1-1/2 percent per month penalty for delinquent payments; is based on January 1, 2002 assessed property valuations; is for the tax accrual period July 1, 2003 through June 30, 2004 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2003.

Due From Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of \$1,000 and estimated useful lives in excess of two years.

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 years
Improvements other than buildings	20 years
Furniture and equipment	5-15 years

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Long-Term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2004, disbursements did not exceed budgeted amounts in any functional areas.

NOTE 2 - CASH AND POOLED INVESTMENTS:

The District's deposits in banks at June 30, 2004 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

NOTE 3 - INTERFUND TRANSFERS:

The detail of interfund transfers for the year ended June 30, 2004 is as follows:

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
Nonmajor:		
Debt service		\$ 14,414
	Physical Plant and Equipment Levy	<u>14,414</u>
Total		<u>\$ -</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

NOTE 4 - CAPITAL ASSETS:

Capital assets activity for the year ended June 30, 2004 was as follows:

	Balance Beginning of Year, as Restated (Note 10)	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated				
Land	\$ 37,853	\$ -	\$ -	\$ 37,853
Total capital assets not being depreciated	\$ 37,853	\$ -	\$ -	\$ 37,853
Capital assets being depreciated:				
Land improvements	\$ 277,772	\$ 4,166	\$ 2,512	\$ 279,426
Buildings and improvements	3,403,768	127,365	-	3,531,133
Vehicles	354,840	54,958	27,160	382,638
Machinery and equipment	1,107,138	-	-	1,107,138
Total capital assets depreciated	\$ 5,143,518	\$ 186,489	\$ 29,672	\$ 5,300,335
Less accumulated depreciation for:				
Land improvements	\$ 108,707	\$ 13,004	\$ 2,512	\$ 119,199
Buildings and improvements	2,219,155	65,378	-	2,284,533
Vehicles	142,103	19,146	27,160	134,089
Machinery and equipment	709,150	55,639	-	764,789
Total accumulated depreciation	\$ 3,179,115	\$ 153,167	\$ 29,672	\$ 3,302,610
Total capital assets being depreciated, net	\$ 1,964,403	\$ 33,322	\$ -	\$ 1,997,725
Governmental activities capital assets, net	\$ 2,002,256	\$ 33,322	\$ -	\$ 2,035,578
Business type activities:				
Machinery and equipment	\$ 27,574	\$ 15,931	\$ -	\$ 43,505
Less accumulated depreciation	14,890	3,026	-	17,916
Business type activities capital assets, net	\$ 12,684	\$ 12,905	\$ -	\$ 25,589

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

NOTE 4 - CAPITAL ASSETS (CONTINUED):

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction:

Regular	\$ 76,813
Special	14,808
Other	11,856

Support services:

Student	3,583
Instructional staff	8,787
Administration	15,162
Operation and maintenance of plant	14,606
Transportation	<u>7,552</u>

Total depreciation expense - governmental activities \$ 153,167

Business type activities:

Food service operations \$ 3,026

NOTE 5 - LONG-TERM LIABILITIES:

Changes in long-term liabilities for the year ended June 30, 2004 are summarized as follows:

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance End of Year</u>	<u>Due Within One Year</u>
Lease obligation payable	\$ 13,507	\$ -	\$ 13,507	\$ -	\$ -
Early retirement	<u>48,794</u>	<u>31,304</u>	<u>15,254</u>	<u>64,844</u>	<u>16,793</u>
Total	<u>\$ 62,301</u>	<u>\$ 31,304</u>	<u>\$ 28,761</u>	<u>\$ 64,844</u>	<u>\$ 16,793</u>

Early Retirement - The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least fifty-five and must have completed ten years of service to the District. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee will be based on the age of the applicant as of July 1 and the total salary of the applicant during the most recently completed school year. Early retirement benefits paid during the year ended June 30, 2004 totaled \$15,254. The total liability for early retirement are recorded as long-term liabilities in the government-wide financial statements.

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

NOTE 6 - PENSION AND RETIREMENT BENEFITS:

The District contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70 percent of their annual covered salary and the District is required to contribute 5.75 percent of annual covered payroll for the years ended June 30, 2004, 2003 and 2002. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2004, 2003 and 2002 were \$150,597, \$145,347, and \$142,688, respectively, equal to the required contributions for each year.

NOTE 7 - RISK MANAGEMENT:

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 8 - AREA EDUCATION AGENCY:

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$176,940 for the year ended June 30, 2004 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

NOTE 9 - CONSTRUCTION COMMITMENTS:

At June 30, 2004, the District had entered into various construction contracts totaling \$151,801 for improvements to the land and building. At June 30, 2004 \$71,797 remained to be paid on those contracts.

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

NOTE 10 - ACCOUNTING CHANGE AND RESTATEMENTS:

GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*, was implemented for the year ended June 30, 2004. The interpretation modifies when early retirement and other liabilities are recorded under the modified accrual basis of accounting.

GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*; Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*; Statement No. 38, *Certain Financial Statement Note Disclosures*, and Statement No. 41, *Budgetary Comparison Schedule - Perspective Differences*, were implemented for the year ended June 30, 2004. The statements create new basic financial statements for reporting the District's financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The government-wide financial statements separate the District's programs between governmental and business type activities. The beginning net assets for governmental activities have been restated to include capital assets, long-term liabilities and the changes in assets and liabilities at July 1, 2003 caused by the conversion to the accrual basis of accounting.

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

NOTE 10 - ACCOUNTING CHANGE AND RESTATEMENTS (CONTINUED):

The effects of the accounting change and other restatements in the governmental activities are summarized as follows:

	<u>Governmental</u>				
	<u>Funds</u>				
		Management	Physical Plant and Equipment	Nonmajor	Total
	<u>General</u>	<u>Levy</u>	<u>Levy</u>		
Net assets June 30, 2003, as previously reported	\$ 1,272,255	\$ 414,311	\$ 455,487	\$ 151,936	\$ 2,293,989
GASB Interpretation 6 adjustments	<u>-</u>	<u>2,493</u>	<u>-</u>	<u>-</u>	<u>2,493</u>
Net assets July 1, 2003, as restated for governmental funds	<u>\$ 1,272,255</u>	<u>\$ 416,804</u>	<u>\$ 455,487</u>	<u>\$ 151,936</u>	<u>\$ 2,296,482</u>
GASB 34 adjustments:					
Capital assets, net of accumulated depreciation of \$3,179,115					2,002,256
Long-term liabilities:					
Lease purchase obligation				\$ 13,507	
Early retirement				<u>48,794</u>	<u>(62,301)</u>
Net assets July 1, 2003, as restated					<u>\$ 4,236,437</u>

REQUIRED SUPPLEMENTARY INFORMATION

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES

IN BALANCES - BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS

AND PROPRIETARY FUND

REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2004

	Governmental Funds <u>Actual</u>	Proprietary Fund <u>Actual</u>
Receipts:		
Local sources	\$ 2,627,893	\$ 135,367
State sources	1,931,709	3,575
Federal sources	<u>171,688</u>	<u>82,377</u>
Total receipts	<u>\$ 4,731,290</u>	<u>\$ 221,319</u>
Disbursements:		
Instruction	\$ 3,204,430	\$ -
Support services	1,260,642	-
Non-instructional programs	-	229,382
Other expenditures	<u>192,859</u>	<u>-</u>
Total disbursements	<u>\$ 4,657,931</u>	<u>\$ 229,382</u>
Deficiency of receipts under disbursements	\$ 73,359	\$ (8,063)
Other financing sources, net	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	\$ 73,359	\$ (8,063)
Balances beginning of year	<u>2,261,541</u>	<u>141,448</u>
Balances end of year	<u>\$ 2,334,900</u>	<u>\$ 133,385</u>

See accompanying independent auditor's report.

<u>Total Actual</u>	<u>Budgeted Amounts</u>		<u>Final to Actual Variance</u>
	<u>Original</u>	<u>Final</u>	
\$ 2,763,260	\$ 2,771,214	\$ 2,771,214	\$ (7,954)
1,935,284	1,983,121	1,983,121	(47,837)
254,065	286,550	286,550	(32,485)
<u>\$ 4,952,609</u>	<u>\$ 5,040,885</u>	<u>\$ 5,040,885</u>	<u>\$ (88,276)</u>
\$ 3,204,430	\$ 3,497,027	\$ 3,497,027	\$ 292,597
1,260,642	1,387,939	1,387,939	127,297
229,382	300,000	300,000	70,618
192,859	529,653	529,653	336,794
<u>\$ 4,887,313</u>	<u>\$ 5,714,619</u>	<u>\$ 5,714,619</u>	<u>\$ 827,306</u>
\$ 65,296	\$ (673,734)	\$ (673,734)	\$ 739,030
<u>-</u>	<u>2,000</u>	<u>2,000</u>	<u>\$ (2,000)</u>
\$ 65,296	<u>\$ (671,734)</u>	<u>\$ (671,734)</u>	<u>\$ 737,030</u>
<u>2,402,989</u>			
<u>\$ 2,468,285</u>			

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE - BUDGET TO GAAP RECONCILIATION

REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2004

	<u>Governmental Funds</u>		
	<u>Cash Basis</u>	<u>Accrual Adjustments</u>	<u>Modified Accrual Basis</u>
Revenues	\$ 4,731,290	\$ 18,065	\$ 4,749,355
Expenditures	<u>4,657,931</u>	<u>(24,683)</u>	<u>4,633,248</u>
Net	\$ 73,359	\$ 42,748	\$ 116,107
Beginning balance	<u>2,261,541</u>	<u>34,941</u>	<u>2,296,482</u>
Ending balance	<u>\$ 2,334,900</u>	<u>\$ (7,807)</u>	<u>\$ 2,412,589</u>

	<u>Proprietary Fund</u>		
	<u>Enterprise</u>		
	<u>Cash Basis</u>	<u>Accrual Adjustments</u>	<u>Accrual Basis</u>
Revenues	\$ 221,319	\$ 27,575	\$ 248,894
Expenses	<u>229,382</u>	<u>16,024</u>	<u>213,358</u>
Net	\$ (8,063)	\$ 11,551	\$ 35,536
Beginning net assets	<u>141,448</u>	<u>21,715</u>	<u>163,163</u>
Ending net assets	<u>\$ 133,385</u>	<u>\$ 33,266</u>	<u>\$ 198,699</u>

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING

YEAR ENDED JUNE 30, 2004

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted no budget amendments.

During the year ended June 30, 2004, disbursements did not exceed budgeted amounts and the District did not exceed its unspent authorized budget.

OTHER SUPPLEMENTARY INFORMATION

ROCK VALLEY COMMUNITY SCHOOL DISTRICTCOMBINING BALANCE SHEET - NONMAJOR FUNDSJUNE 30, 2004ASSETS

	<u>Student Activity</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Total</u>
Cash and pooled investments	\$ 151,653	\$ 87,297	\$ -	\$ 238,950
Receivables:				
Accounts	812	-	-	812
Accrued interest	812	-	-	812
Due from other governments	-	46,180	-	46,180
Inventory	<u>10,438</u>	<u>-</u>	<u>-</u>	<u>10,438</u>
Total assets	<u>\$ 163,715</u>	<u>\$ 133,477</u>	<u>\$ -</u>	<u>\$ 297,192</u>

LIABILITIES AND FUND EQUITY

Liabilities:				
Accounts payable	<u>\$ 359</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 359</u>
Total liabilities	<u>\$ 359</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 359</u>
Fund equity:				
Unreserved fund balances	<u>163,356</u>	<u>133,477</u>	<u>-</u>	<u>296,833</u>
Total liabilities and fund equity	<u>\$ 163,715</u>	<u>\$ 133,477</u>	<u>\$ -</u>	<u>\$ 297,192</u>

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN

FUND BALANCES - NONMAJOR FUNDS

YEAR ENDED JUNE 30, 2004

	<u>Student Activity</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Total</u>
Revenues:				
Local sources:				
Local tax	\$ -	\$ 133,477	\$ -	\$ 133,477
Other	<u>189,469</u>	<u>-</u>	<u>-</u>	<u>189,469</u>
Total revenues	<u>\$ 189,469</u>	<u>\$ 133,477</u>	<u>\$ -</u>	<u>\$ 322,946</u>
Expenditures:				
Current:				
Instruction:				
Other instruction	<u>\$ 178,049</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 178,049</u>
	<u>\$ 178,049</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 178,049</u>
Other expenditures:				
Long-term debt:				
Principal	\$ -	\$ -	\$ 13,507	\$ 13,507
Interest	<u>-</u>	<u>-</u>	<u>907</u>	<u>907</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,414</u>	<u>\$ 14,414</u>
Total expenditures	<u>\$ 178,049</u>	<u>\$ -</u>	<u>\$ 14,414</u>	<u>\$ 192,463</u>
Excess (deficiency) of revenues over (under) expenditures	\$ 11,420	\$ 133,477	\$ (14,414)	\$ 130,483
Other financing sources:				
Operating transfers in	<u>-</u>	<u>-</u>	<u>14,414</u>	<u>14,414</u>
Net change in fund balance	\$ 11,420	\$ 133,477	\$ -	\$ 144,897
Fund balances beginning of year, as restated	<u>151,936</u>	<u>-</u>	<u>-</u>	<u>151,936</u>
Fund balances end of year	<u>\$ 163,356</u>	<u>\$ 133,477</u>	<u>\$ -</u>	<u>\$ 296,833</u>

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS

YEAR ENDED JUNE 30, 2004

ACCOUNT:	Balance Beginning of Year	Revenues and Interfund Transfers	Expenditures	Intrafund Transfers	Balance End of Year
Agriculture resale	\$ 214	\$ -	\$ -	\$ -	\$ 214
Art resale	1,531	1,070	911	196	1,886
Band resale	2,799	1,860	1,650	-	3,009
TSA resale	4,652	737	-	-	5,389
Spirit Club resale	5,461	24,178	26,159	-	3,480
Basketball	2,964	6,076	5,209	(720)	3,111
Football	398	7,448	13,694	6,850	1,002
Baseball	647	623	6,177	5,693	786
Golf	-	14	246	260	28
Wrestling	598	2,974	4,291	720	1
Track	-	249	521	272	-
Junior high boys athletics	-	135	1,627	1,492	-
Junior high girls athletics	-	150	967	817	-
High school girls basketball	3,059	6,733	5,240	(1,152)	3,400
High school girls volleyball	-	3,669	4,338	670	1
Tournaments	30,534	9,307	10,075	(2,518)	27,248
Annual 2002	-	10,299	9,424	250	1,125
Annual 2003	2,500	465	4,468	1,504	1
Instrument rent/repair	592	1,450	1,753	-	289
Band and vocal	1,959	4,268	3,832	-	2,395
Club reserve	7,902	54	-	3,638	11,594
Class of 2001	32	-	-	-	32
Class of 2002	729	-	-	-	729
Class of 2003	(740)	-	-	-	(740)
Class of 2004	6,116	150	1,126	(5,142)	(2)
Class of 2005	6,730	2,226	2,765	1,019	7,210
Class of 2006	4,211	3,653	1,591	(109)	6,164
Class of 2007	1,421	204	26	861	2,460
Class of 2008	2,256	405	-	1,839	4,500
Class of 2009	-	200	-	1,174	1,374
Cheerleaders	825	1,909	1,917	300	1,117
FFA	1,018	22,014	18,877	-	4,155
FHA	567	773	771	-	569
Pep club	306	-	-	-	306
Student council	1,222	9,770	9,715	(20)	1,257
TSA program	1,614	2,680	3,277	305	1,322
FCH	531	28	140	-	419
Library club	497	-	-	-	497
Elementary activity	1,326	15,209	12,996	(250)	3,289
Spanish club	2,490	216	-	-	2,706
Spirit club	2,599	7,011	3,481	-	6,129
Interest	39,126	2,813	-	(2,100)	39,839
Adult activity tickets	-	4,930	-	(4,930)	-
Magazine sale	-	12,430	7,539	(4,891)	-
Student pictures	11,106	11,555	10,104	31	12,588
Miscellaneous insurance - student	-	829	829	-	-
Activity tickets	-	4,663	-	(4,663)	-
Drama and speech	978	280	1,413	155	-
FFA test plot	1,166	3,762	900	(1,551)	2,477
Total	\$ 151,936	\$ 189,469	\$ 178,049	\$ -	\$ 163,356

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS

FOR THE LAST FOUR YEARS

	Modified Accrual Basis			
	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
Revenues:				
Local sources:				
Local tax	\$ 1,906,606	\$ 1,736,826	\$ 1,749,775	\$ 1,513,799
Tuition	421,841	408,986	331,172	309,748
Other	338,205	377,829	392,829	467,729
State sources	1,904,478	2,003,399	1,957,655	2,082,289
Federal sources	<u>178,225</u>	<u>160,100</u>	<u>155,330</u>	<u>129,752</u>
Total	<u>\$ 4,749,355</u>	<u>\$ 4,687,140</u>	<u>\$ 4,586,761</u>	<u>\$ 4,503,317</u>
Expenditures:				
Instruction:				
Regular instruction	\$ 2,228,859	\$ 2,038,651	\$ 1,947,070	\$ 1,848,738
Special instruction	429,209	567,782	562,768	576,484
Other instruction	521,679	520,355	535,819	502,449
Support services:				
Student services	103,858	87,960	98,793	91,574
Instructional staff services	76,629	86,483	80,879	105,065
Administration services	439,470	430,607	391,915	373,930
Operation and maintenance of plant services	421,840	403,174	301,486	317,002
Transportation services	218,845	163,304	164,628	190,701
Other expenditures:				
Facilities acquisition	1,505	55,743	84,808	44,637
Long-term debt:				
Principal	13,507	12,656	11,859	11,112
Interest and other charges	907	1,758	2,555	3,302
AEA flow through	<u>176,940</u>	<u>189,806</u>	<u>188,874</u>	<u>200,337</u>
Total	<u>\$ 4,633,248</u>	<u>\$ 4,558,279</u>	<u>\$ 4,371,454</u>	<u>\$ 4,265,331</u>

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING

To the Board of Education of
Rock Valley Community School District

We have audited the financial statements of the Rock Valley Community School District (the District) as of and for the year ended June 30, 2004, and have issued our report thereon dated September 15, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

COMPLIANCE

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have all been resolved.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to

To the Board of Education
Rock Valley Community School District

record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item I-A-04 is a material weakness. Prior year reportable conditions have all been resolved except for item I-A-04.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the District and other parties to whom the District may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

September 15, 2004
Sioux City, Iowa

King, Reinsch, Prosser & Co., L.L.P.

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

YEAR ENDED JUNE 30, 2004

Part I: Findings Related to the Financial Statements

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

I-A-04 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Incompatible duties, for accounting control purposes, are those duties that place a person in a position where they could both perpetrate and conceal errors or irregularities. To accomplish proper segregation of duties, the system, insofar as possible, should provide for different individuals to perform the functions of (a) authorizing transactions, (b) recording transactions, (c) maintaining custody of the assets that result from transactions, and (d) comparing assets with the related amounts recorded in the accounting records. In performing our audit, we noted that the Business Manager has primary responsibility for many accounting and financial duties of the general, special revenue and debt service funds. In addition, the Board Secretary has primary responsibility for the enterprise fund.

Recommendation - The size of the District's accounting and administrative staff precludes certain internal controls that would be preferred if the staff were large enough to provide optimum segregation of duties. This situation dictates that the Board of Education and Superintendent remain actively involved in the financial affairs of the District to provide oversight and review functions.

Response - The District understands the nature of the weakness and the necessity for the Board and Superintendent to provide oversight and review functions. The District will review its procedures and implement changes as deemed necessary.

Conclusion - Response accepted.

Part II: Other Findings Related to Statutory Reporting

II-A-04 Official Depositories - Official depositories have been approved by the District. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2004.

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

YEAR ENDED JUNE 30, 2004

(CONTINUED)

Part II: Other Findings Related to Statutory Reporting (Continued)

- II-B-04 Certified Budget - Expenditures for the year ended June 30, 2004 did not exceed the amount budgeted in any of the functional areas.
- II-C-04 Questionable Disbursements - We noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- II-D-04 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-E-04 Business Transactions - We noted no business transactions between the District and District officials or employees that would appear to constitute a conflict of interest.
- II-F-04 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-G-04 Board Minutes - We noted no transactions requiring Board approval which had not been approved by the Board.
- II-H-04 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.
- II- I-04 Deposits and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- II- J-04 Certified Annual Report - The Certified Annual Report (CAR) was not timely filed with the Department of Education. We noted no significant deficiencies in the amounts reported.

Recommendation - The District should take measures to ensure that the CAR is timely filed.

Response - The Board Secretary is aware of the situation and will work to timely file the CAR in the future.

Conclusion - Response accepted.